

See discussions, stats, and author profiles for this publication at: <https://www.researchgate.net/publication/275331913>

Usage of Social Networks Marketing by Small and Medium-Scale Enterprises in South Africa: A Review of some SMEs in Cape Town

Conference Paper · May 2011

CITATIONS

2

READS

359

2 authors, including:



Michael Adeyeye Oshin

Sheridan College, Australia

57 PUBLICATIONS 6,965 CITATIONS

[SEE PROFILE](#)

Some of the authors of this publication are also working on these related projects:



Tertiary Curriculum Development - Science [View project](#)



IoT-enabled Smart & Connected Communities [View project](#)

Initial Study on the usage of Social Networks Marketing by Small and Medium-Scale Enterprises in South Africa

A Review of some SMEs in Cape Town

Mayowa MULERO¹, Michael ADEYEYE²

¹*Cape Peninsula University of Technology, Cape Town, South Africa*

Email: adeyeyem@mycput.ac.za

²*Cape Peninsula University of Technology, Cape Town, South Africa*

Email: mulero_mayowa@yahoo.com

Abstract: Online Social Networks Marketing (SNM) is relatively new; it entails using Social Network Sites (SNSs) to market products and services. SNSs are based on web 2.0; they are very dynamic and allow users to interact with one another. This helps business owners to communicate and market their products and services via their sites. SNM has been found as one of the most effective tools on the Internet today, which helps Small and Medium-scale Enterprises (SMEs) in South Africa to expand and flourish in their businesses. This paper focuses on reviewing some SMEs in Cape Town using SNM to promote their businesses.

Keywords: Online Social Networks, Social Networks Marketing, Social Network Sites, Small and Medium-scale Enterprises, e-Commerce and Web 2.0.

1.0. Introduction

In rapid advances in marketing strategies, advertisement via Social Network Sites (SNSs) on Internet is dramatically becoming an important aspect in promoting businesses [1, 2]. The vast growth in Internet technology has provided an opportunity for products and services to be advertised at a reduced cost, and also the potential for these products extending over geographical boundaries, thus bridging the gap between consumers and business owners [3]. Social networks are no longer entirely new, but have been rapidly evolving in their number, form and complexity. This form of social networks generally referred to as “offline network” [4, 5].

Of recent, networking is not just about old form of Social Networks (SNs), but it is regarding SNs, which process and manage information using micro-electronic based technologies. Online social networks are gradually replacing and complementing the offline social networks. A growing number of firms are competitively changing from offline social networks into online social networks, because of the significant potential marketing opportunities it offers. The advent of Web 2.0 technologies has opened up so many ways of connecting, communicating and marketing online through the use of social network sites [6].

Online social networks are new world of networking, where business owners market, exchange ideas, experiences, transacts business, and builds strong customer relationship. The use of social networks marketing (SNM) does not only help to manage customer relationships but also, helps to attract valuable employees and investors into a business [7].

Marketing on online social networks is faster and cheaper compared to traditional marketing, this outstanding potential compared with conventional way of marketing is always exploited and explored by consumers and business owners to the fullest in enhancing business transactions [8].

Various studies have been conducted on Internet technology including e-Commerce [9-11], social networks application [12, 13] and the value of social network sites for business owners and consumers. There are no published data regarding social networks marketing in Cape Town of South Africa.

Kevin [14] carried out a study on how SMEs can make use of social networks applications. He carefully analyzed how Facebook can be a valuable marketing tool for generating business revenue and direct sales. Kevin [14] examined a small construction company and a popular restaurant called Breakfast Club both in Houston, Texas. The two SMEs advertised their products online via social network sites. Both firms were able to secure clients at minimal cost, improve their sales figures, had the opportunity to reach their targeted customers and maintain a good relationship with their customers. Based on these benefits, Kevin [14] concluded that social networks marketing are profitable, viable, and should be an integral part of any business marketing strategy.

Another research conducted by Fors [8] with an Information Technology (IT) company revealed that the some companies encouraged their employees to use Facebook as one of the social networks application to enhance communication within the company and to attract more customers. In order to ensure adequate compliance with this, the Chief Executive Officer (CEO) further creates a company blog and also declared Fridays as the Facebook day. Fors [8] concluded that about 88% of his respondents agreed that SNM had changed their business by better understanding their consumers' needs/complains, serve as a medium of communication and a also build a strong relationship between them and their consumers.

Research findings by McNamara [15] on consumer's decisions towards online social networks marketing showed that 30 per cent of frequent online social networks users trust their peers' opinions when making a major business transaction, while only 10 per cent trust on the advertisements. The findings however, showed that online social networks are good tool to enhance consumers' insight and perception about online business transactions.

According to Carpenter [16] it is essential to develop customer familiarity with the web-based version of products and brand, which is highly relevant and crucial for most SMEs firms. This can be done by attracting consumers to access their sites and engaging them to stay long on the site.

Calder et al. [17] carried out an experimental study on two forms of consumer engagement which are Personal engagement and Social-Interactive engagement. Research showed that these two forms of engagement are positively associated with advertising effectiveness. Calder et al. [17] concluded that online media do involve a distinct form of engagement and that this engagement has its own impact on advertising effectiveness. Consumer engagement is a way of establishing a day-to-day interaction with customers/followers on a company site. Engaging consumers on the site can help business owners/companies manage their sites, improve the effectiveness of advertising and also introducing new ways of online advertising strategies.

This paper reviews research on Social Networks Marketing, its benefits and different types of social networks marketing tools, and reviews the results of the initial study done on SMEs using SNM in Cape Town, South Africa, and the purpose why SMEs are now using this medium for marketing.

2.0. Social Network Sites

Social network sites exist within a classification of Web applications described as Web 2.0 applications. Web 2.0 is the name given to a new wave of social services provided on the Internet. Boyd and Ellison [18] describe social network sites as a web-based service that allow individuals to “(1) construct a public or semi-public profile within a bounded system, (2) articulate a list of other users that share and connect together, and (3) view and traverse their list of connections and those made by others within the system”.

Primarily, online social networks provide benefit for the users by creating a medium to communicate and connect with friends, colleagues and family. Recently, online social networks have found their applications in e-Commerce, especially for advertisements and other business transactions. Examples of social networks applications are *MySpace*, *Facebook*, *Twitter*, *Hi5*, *Flixster*, *Bebo*, *LinkedIn*, *Ning*, *YouTube*, *Myyearbook* and *Classmate*. There are fascinating tools on SNSs which provide platform for *information sharing*, *picture/video-sharing*, *wall-postings*, *weblog*, *wikis*, *podcasts*, *emailing*, *instant messaging*, *music-sharing*, and *voice over internet protocol (VoIP)* [6, 18].

Currently, online social networks are creating consumer-driven direct marketing with the Internet being an important medium of connection and communication [14]. When it comes to business-to-consumer e-Commerce, social networks marketing play a vital role. The presence of Internet facilities makes it possible for SMEs to harness the benefits of Information and Communication Technologies (ICT) in an affordable and simple way through which both old and new consumers are reached [19]. Of all the social networking sites in South Africa and globally, Facebook, MySpace, Twitter, and YouTube have generated perhaps the most publicity. In fact, the growth of these sites lies in the Web 2.0 era where user-generated content and discussions can create powerful communities that facilitate the interactions of people with common interests.

3.0. Social Networks Marketing Tools

Internet advertisements are of three groups according to Winer [20] **Intrusive advertisement:** is a kind of advertisement where consumers are being “interrupted” Examples are, advertising through *pop-up*, *banners*, and *spam mail or message*. **Non-intrusive advertisement:** is another Internet advertising in which consumer choose to receive an update. An account has to be activated by the consumers before participating in such a communication. Examples are, *internet presence sites*, *e-mail*, and *social network sites*. **User-generated:** is where the consumer creates their own communication within the system. Some of these communication created by consumer are blog, picture/video, microblogging, social bookmarking, wall-posting and rating/recommendation. This paper focuses more on user-generated communication because they are also use as SNM tools for business strategy.

3.1. Social Networks Marketing Tools For Business Strategy

Social networks marketing tools for improving business strategy are as follows:

1. Blogs: Short for “weblogs”, blogs have become a popular advertising medium. A blog is a diary where users of SNSs write down their thoughts and things that happen to them on daily basis or periodically. Blog is one of the versatile tools for marketing on SNSs because it gives consumers opportunity to write and comment on posted products/services and allow companies to get feedback on their posted

products and services. In some cases, blog is just a set of postings from the enthusiast community. For example, www.autoblog.com is a blog for automobile enthusiasts [8, 20].

2. **Microblogging:** Is a form of sending brief updates to interested consumers. Companies use sites like SocialCast, Twitter and Yammer to keep followers up-to-date on events happening within the company [21].
3. **Picture and Video sites:** Pictures and Videos are great tools for marketing. Companies can create their branded channels or vlog on video sharing site where they can upload pictures/videos of their products/services rendered [22]. Consumers can interact with brands through streaming video and also have opportunity to see the brand/product through the posted video on the site.
4. **Social bookmarking:** provides links to relevant research, reports, news, music and stories about the company and its sector on social bookmarking sites like Del.icio.us, Digg, Newsvine and Mix it [21].
5. **Wall-posting:** This medium gives users opportunity to advertise to fans and followers on the site through their own profile. Social networks marketing puts companies in the forefront and also gives companies the ability to address certain loopholes in their business structure and decisions that might have caused dissatisfaction to consumers with their products and services [7, 15]
6. **Ratings/recommendations:** Another form of user-generated content, it involves posting of product ratings and recommendations to web page. Many popular e-Commerce sites like Amazon and eBay rely on users to rate products that consumers use to evaluate prospective purchases. Many companies today are using some or all of the above social networks tools to develop their business marketing strategy and to also engage their customers to a much greater extent than traditional media encompass [20].

4.0. Methodology

A random sample of SMEs companies was selected within the region of Cape Town of South Africa. Eight SMEs were captured within this region. The companies range from Hotel/restaurant, Wine companies, Tourism, and Art gallery stores. Observations were made by inspecting the companies' social network sites along with e-mail correspondence with some of the SMEs within the period of two weeks. The website investigation was done in order to know what type of social network sites these companies were making use for their business activities, the total numbers of fans/follower they have on their site, the kind of social networks marketing tools they implore, and majorly the purpose of implementing SNSs to their business.

5.0. Analysis/ Discussion

5.1. *SMEs Companies Using Social Networks Marketing*

SMEs, organization, group, or famous person can create a page on social network sites such as; Facebook, Myspace, and Twitter to mention but a few. The page created allows other members of the site to register as a fan of their social web page. Whenever the company posts an update on the page, it definitely goes to everyone who has registered as a fan of the Page. Marketers can proactively engage customers on social network sites via strategies such as; placing advertisement of their products/services using photos and videos, posting special comments on both wall-posting and blog, creating discussion forums, and creating a link from their social network sites to the company website. Some examples of companies that successfully leverage their marketing communications via social network sites are showcased in Table 1 below: The table indicates type of business, company web presence, choice of SNSs, average number of fans, the social network marketing tools adopted by the companies and purpose of using SNSs for their business activities.

Most of the companies examined in this study are in testing phase but quiet some few such as; City Sightseeing, The Taj Hotels, and Jade Jewellery & Design have grown beyond the test phase and are making use of SNSs for marketing with constant updates on their wall profile to keep customers informed on the new products and special offers they have. Despite that these companies are making effort in exploring all the social networks marketing tools, the growth of the fans/followers on their SNSs is not so much compared to their counterpart in developed countries [14].

Out of the few SMEs investigated within Cape Town it was observed that all the companies have a website of their own and they all have a direct web link from their company's site to the SNSs except Cinnamon & Silk Trading Company. All the SMEs uses Facebook a popular SNSs observed in South Africa [23]. while more than 50% of the SMEs uses Facebook along with other SNSs. Majority of the SMEs investigated make use of blog, wall-posting, picture, and video as the common marketing tools to reach their customers while few of the SMEs uses other tools such as; micro-blogging, social-bookmarking, and discussion forum for engaging customers on their site.

As social networks provide platform to interact with one another, SMEs marketers in South Africa are using this website interactive opportunity to promote their products and services to a potential larger and target customers. With the help of the SNM tools on their SNSs it was observed that most of the companies add discussion forums and blogs on their social network website with the aid of creating and establishing direct interaction with target customers. It also creates an opportunity for the companies to build a strong relationship with their customers and to better understanding their customers need and complains.

Social bookmaking like reports, news, games, and special offers help companies like Cinnamon & Silk and City sightseeing to engage their customers more on interesting activities on their social website.

Marketing on social network sites allow most of the companies like Stellenbosch hills wine to communicate regarding environmental and social issues to their customers. This has really helped them in establishes day-to-day online interactive with customers.

Most of the companies such as, KTM, Jordan wines, and Jade Jewellery & Design use of social network sites in advertising both their old and new products on the site which has help them to increase customer loyalty with the company products/brand.

Marketing on social network sites also allows all the companies to reach a broad range of consumers: since distance is not a barrier, increase brand awareness and improve consumer perceptions majorly on the new products/brand. All these companies except Cinnamon & Silk have a link on the website page that leads customers directly to their social website page as shown in Figure 2(a) and 2(b).

Some of the major challenges stressed by most of these companies in preventing the expansion of SNM are lack of awareness and time spent on the site due to cost of internet access in South Africa.

Table 1: Some SMEs using Social Network Sites for marketing

SMEs Companies	Type of business	Company web presence	Choice of SNS(s)	Is there a link from website to SNS(s)?	SNM Tools	Purpose of SNS(s)	Average No of fans
City Sight-Seeing Cape Town	Tourism	Yes	Twitter Facebook YouTube Flickr	Yes	-Blog -Video -Wall posting -Micro-blogging	- Feedback -Event Notification/ -Brand awareness	Facebook 2,403 Twitter 1,015
KTM Cape Town	Online Store (for Bikes, accessories & spares)	Yes	Facebook	Yes	-Blog -Video -Wall posting -Social-bookmarking -Micro-blogging	- Advertise products -Weekly news letter -Special offers	Facebook 1,134
Dornier Wines	Wine Products	Yes	Facebook Twitter	Yes	-Video showcase -Blog -Wall posting -Micro-blogging	-Special offers -Advertise products -Feedback	Facebook 905 Twitter 378
Jordan Wines	Wine products	Yes	Facebook	Yes	-Video showcase -Blog -Wall posting -Micro-blogging	- Advertise products - Feedback - Brand awareness	Facebook 630
Jade	Jewellery design	Yes	Facebook Twitter	Yes	-Video -Blog -Micro-blogging -Photo shot -Wall posting	-Increase brand awareness - Advertise products	Facebook 414 Twitter 35
The Taj Hotels	Hotel	Yes	Facebook Twitter	Yes	-Wall posting -Video -Blog	-Feedback -Improve customer relation	Facebook 1,416 Twitter 1,128
Stellenbosch hills wine	Wine products	Yes	Facebook Twitter	Yes	-Photo -Micro-blogging -Wall posting	-Promote issues on social events - Advertise products	Facebook 311 Twitter 259
Cinnamon &	Décor & gift	Yes	Facebook	No	-Photos	-Engaged	Facebook 312

Silk Trading company	gallery				-Discussion forum -Wall posting	customer in discussion forum -Improve customer relation	
----------------------	---------	--	--	--	------------------------------------	--	--

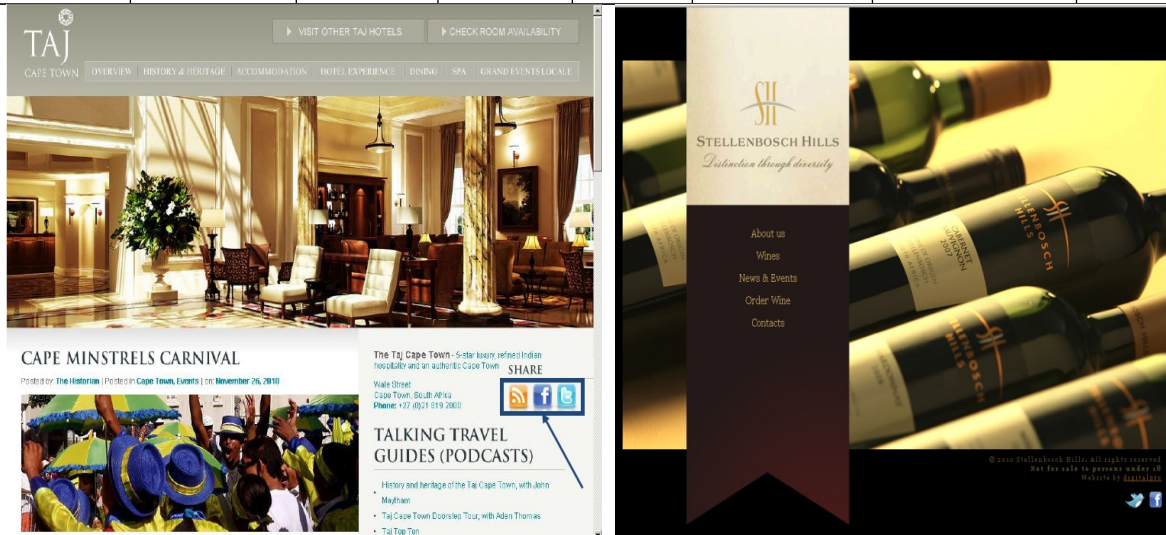


Figure 1 Web link on home page of business site to social network sites, (a) Taj, (b) Stellenbosch hill wines

6.0. Conclusions

This study presents the initial work toward the investigation of the use of social networks marketing by SMEs in Cape Town of South Africa. In review of social networking history, one can see that the modern-day version is just an electronic version of what has been in existence for quite some time. Social network sites present an exclusive opportunity for SMEs to generate more sales and income. With the help of Web 2.0 technologies, marketing tools on SNSs has been greatly used in promoting and enhancing businesses. SMEs in Cape Town are making use of online SNM and exploring most of its potentials. The few SMEs investigated show that with the use of most of the social network sites SMEs were able to update customers about their company products/services, they have the opportunity to reach a broad audience, engage customers more on the site, create a better understanding of their customers' needs and complains, and it also help them to maintain strong relationships with customers/fans on their web page.

With all these vast growth in the use of social networks marketing globally, many SMEs in Cape Town of South Africa that have already adopted the use of SNM on their business have few fans and followers on their social network sites compared to their counterparts in developed countries found in literatures [14] which indicate the slow pace in the growth of SNM in Cape town. This slow growth as mentioned by some SMEs is as a result of some challenges such as, lack of awareness, privacy and confidentiality, lack of time, and cost of accessing internet are the major challenges they are facing. To further improve on the use of social networks marketing in South Africa SMEs should not just focus on their own goal but, to focus more on what their customer desire from them. Once, a company understands this, half of the battle is won. There is a need to educate people more on the use and importance of SNM. The Government has an important role to play by ensuring that there

are adequate internet infrastructures and also to reduce the cost of accessing internet within the country.

Furthermore, the acceptance of this new technology can also be developed through visits to other developed countries, learning from their cultural and social system contributed to the success of using social network sites for marketing and other business related issues. If all these are done then, there will be positive changes and people will be able to spend more time on internet to find out what exactly a particular company is advertizing on the site.

7.0. Future Work

Being an ongoing research, the study would further investigate the acceptance of SNM using Technology Acceptance Model (TAM). In addition, it would find out if the use of SNM by the firms resulted in productivity paradox or success. Where success is achieved, the research would investigate what significance of success has been achieved in the adoption of social networks marketing to their business and if otherwise, research will also investigate on the things affecting the growth and acceptance of social networks marketing among SMEs in South Africa.

8.0. References

- [1] Anderson, J.C., Hakansson, H. and Johanson, J. (1994) Dyadic Business Relationships within a Business Network Context, *The Journal of Marketing*, 58: 1-5.
- [2] Achrol, R.S. (1991) Evolution of the Marketing Organization: New Forms for Turbulent Environments, *The Journal of Marketing*, 55: 77-93.
- [3] Thompson, S.H. (2005) Usage and effectiveness of online marketing tools among Business-to-Consumer (B2C) firms in Singapore. *International Journal of Information Management*, 25(3): 203-213.
- [4] Drucker, P.F. (1993) Post capitalist Society. Oxford: Butterworth Heinemann.
- [5] Achrol, R.S and Kotler, P. (1999) Marketing in the Network Economy. *The Journal of Marketing*, 63: 146-163.
- [6] Enders, A., Hungenberg, H., Denker, H. and Mauch, S. (2008) The long tail of social networking Revenue models of social networking sites. *European Management Journal*, 26: 199-211.
- [7] Pelemo, O. (2008) Is Social media marketing relevant for Nigerian business environment. [Online] Available: <http://www.incorporatenigeria.com/magazine/conversion-report/64-is-social-media-marketing-relevant-for-the-nigerian-environment> [accessed 5 May 2010].
- [8] Fors, A. (2008) *The power of social media when creating business networks – The Future Valley in Borlänge*. Gavle, Sweden: University of Gavle (MBA-thesis).

- [9] Okoli, C. and Mbarika, V.A. (2003) A Framework for Assessing E-commerce In Sub-Saharan Africa. *Journal of Global Information Technology Management*. Special Issue: E-commerce and economic and social development.
- [10] Tarafdar, M. and Vaidya, S.D. (2006) Challenges in the adoption of E-Commerce technologies in India: The role of organizational factors. *International Journal of Information Management*, 26: 428–441.
- [11] Kshetri, N. (2007) Barriers to e-Commerce and competitive business models in developing countries: A case study. *Electronic Commerce Research and Applications*, 6: 443-452, February 14.
- [12] Leu, J.S., Chib, Y.P. and Shiha, W.K. (2005) Design and implementation of Blog Rendering and Accessing Instantly system (BRAINS). *Journal of Network and Computer Applications*, 30: 296–307.
- [13] Preibusch, S., Hoser, B., Gurses, S. and Berendt, B. (2007) Ubiquitous social networks – opportunities and challenges for privacy-aware user modelling.
- [14] Kevin, J.D. (2009) Social Networking: Changing the way we communicate and do business. *International School of Management MPRA Paper* No. 18502, November 9.
- [15] Mcnamara, J. (2007) How to capitalize on Social Networking Sites [Online] Available: <http://www.campaignlive.co.uk/news/736811/tocapitalise-social-networking-sites/?DCMP=ILC-SEARCH> [accessed 26 May 2010].
- [16] Carpenter, P. (2000). eBrands: building an internet business at breakneck speed, Harvard Business School Press, Boston.
- [17] Calder, B.J., Malthouse E.C. and Schaedel, U. (2009) An Experimental Study of the Relationship between Online Engagement and Advertising Effectiveness. *Journal of interactive marketing* 23 (4): 321-331
- [18] Boyd, D.M. and Ellison, N.B. (2007) Social network sites: Definition, history, and scholarship. *Journal of Computer-Mediated Communication*, 13(1), article 11 [Online] Available: <http://jcmc.indiana.edu/vol13/issue1/boyd.ellison.html> [accessed 7 May 2010].
- [19] Zhenga, J., Caldwell, N., Harlanda, C., Powell, P., Woerndlb, M. and Xub, S. (2004) Small firms and e-business: cautiousness, contingency and cost-benefit. *Journal of Purchasing & Supply Management*, 10: 27–39.
- [20] Winer, R.S. (2009) New Communications Approaches in Marketing: Issues and Research Directions. *Journal of Interactive Marketing*, 23: 108–117.
- [21] Hutchison, T. (2010) New media marketing. In Hutchison, T., Macy, A. and Allen, P. 2nd ed. Record label marketing. Elsevier, Inc. Linacre House, Jordan Hill, Oxford UK.
- [22] Onyeaso, O.T. (2009) One thousand ways to say I connect. [Online] Available: <http://customsstreet.com/one-thousand-ways-to-say-i-connect-how-companies-on-the-nigerian-stock-exchange-can-use-social-media-2/> [accessed 5 May 2010].
- [23] Johnston, K., Kawalsky, D. and Lalla, N. (2010) Social Capital: The benefits of Facebook “Friends”, pp.1-18.